



SCOTT WALKER
OFFICE OF THE GOVERNOR
STATE OF WISCONSIN

P.O. BOX 7863
MADISON, WI 53707

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The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

My own State of Wisconsin, along with other states in the country, continues to be impacted by the propane shortage. As you know, in Wisconsin, we began issuing Executive Orders to help alleviate the propane shortage, such as allowing drivers to carry more propane, back on October 25. Despite our great efforts, now, more than three months later, the situation has only become more concerning. On January 25, we issued a State of Emergency in response to the propane shortage and the continued extreme cold temperatures and forecasts. As we look ahead, even more needs to be done, and that is why I am writing you today.

Your Administration has been a partner in many of our efforts to date, such as the hours of service exemptions and expediting the LIHEAP funds, and we are grateful. The longer and more we work to resolve this propane crisis, the more we are finding that given how much this issue crosses state boundaries and regions, we need your Administration and its agencies to engage further and in a more active role. I am kindly asking your Administration to lead a propane supply chain working group. This group could be comprised of members from your team, federal agencies, impacted states like Wisconsin, and those working in and with the propane industry, with the immediate goal of developing a short-term strategy plan to deal with this propane shortage and any potential crises that may come yet this winter, as well as creating a longer term plan with supply strategy recommendations.

To put the propane situation in further context, our greatest concern is the potential for this situation to become a much more wide spread supply crisis in the coming weeks, wherein the lack of supply and/or logistics to move supply results in propane not being available at any price. Simply stated: over time we will recover from the economic impacts of this shortage, however, given the logistics of accessing and moving propane supplies in an emergency, we would not be able to move supplies fast enough to protect all our residents.

As background, the recent Energy Information Administration (EIA) reports were sobering. Reported propane stock in Conway, Kansas was at 10.2 million barrels as of January 17, 2014, compared to 5-10 year average inventory levels at this time of year of between 16-22 million barrels. The five-year rolling average is 18 million barrels. Current estimates show the stock could now be as low as 8.5 million barrels. Additionally, it is unclear how much of those 8.5 million barrels is actually usable.

EIA also reported the Cochin pipeline that brings propane from Canada into the upper Midwest has a 70,000 barrel per day capacity but is currently operating at only 50,000 barrels per day. This information regarding both Conway and Cochin clearly raises concerns about the available supply for the remainder of the heating season. Mount Belvieu, Texas has a propane supply, and while we are encouraged to hear that one pipeline may be reversed, the remaining pipelines between Mount Belvieu and Conway generally run north to south. This leaves only surface transportation options available to move product to the upper Midwest. With a finite number of rail cars and tanker trucks available, as well as winter storms continuing to impact road conditions, this too raises significant concerns.

Long-term weather forecasts for the upper Midwest site a 95 percent probability of below normal temperatures which would impact demand for propane. Furthermore, ice and snow storms across the Midwest are common this time of year and could well create additional barriers to utilizing tanker trucks to move supply north. On average, consistent above freezing temperatures do not arrive in the upper Midwest until March or April.

Last weekend there was an explosion on the TransCanada natural gas pipeline that threatened natural gas service in the western part of Wisconsin as well as Minnesota. While it is a different fuel source, it serves as a reminder that supplies from pipelines can be disrupted suddenly.

Taken together, we have supply, weather, and propane transportation infrastructure challenges that put our citizens very much at risk, and we are facing extreme vulnerabilities this year that we have not faced before. Candidly, at this time the prospect of any one thing going dramatically wrong in the supply chain opens us up to the potential of a very serious supply crisis. We have already witnessed supply chains being disrupted in other energy sectors and we cannot afford to have that happen with propane.

As states, we could attempt to develop our own contingency plans. It would be a duplication of effort and we could end up at cross purposes. An effective effort must be at least regional, and more likely national. Developing and implementing a contingency plan for the logistics of moving massive amounts of propane in a crisis from where it is available in the United States to where it is needed would require the leadership, assistance, and authority of the federal government.

I hope you will promptly consider my request so that we may ensure strong collaboration between governments and across the states resulting in workable short and long-term strategies that would overcome any propane situation. Time is of the essence - the net result of delay is risk of human life, businesses being closed, and citizens in our state being unable to occupy their homes, potentially for an extended period of time. We stand ready to work with you and appreciate your consideration.

Sincerely,



Scott Walker
Governor